



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 688** HLS 13RS 1539
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 24, 2013	10:23 AM	Author: JOHNSON
Dept./Agy.: Revenue		
Subject: Tax Credit For Essential Service Businessesees		Analyst: Greg Albrecht

TAX CREDITS

EG -\$1,000,000 GF RV See Note

Page 1 of 1

Provides a credit against income and corporation franchise tax liability to certain businesses which offer essential services during emergency situations

Proposed legislation provides a nonrefundable tax credit (10 year carry-forward) against income or corporation franchise taxes to businesses which offer essential services for qualified expenses made in preparation to remain open during and immediately after an emergency or natural disaster. The credit for expenses less than \$20,000 is the lesser of the expenses or \$5,000. The credit for expenses greater than \$20,000 is the lesser of the expenses or \$25,000. Total aggregate program tax credits that can be issued each year are \$1 million. Eligible entities provide services necessary to protect the health, welfare, and safety of the public, and must receive pre-clearance of their emergency preparedness plan from the Office of Emergency Preparedness and Homeland Security. Eligible entities include gas stations, pharmacies, grocery stores, hospitals, network or radio broadcasting stations, restaurants, and trucking businesses. Eligible expenses include generators, weatherproofing, window coverings, necessary supplies, and employees. The Business must stay open for the duration of the emergency in order to claim the credit. Effective for tax years beginning on and after January 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$4,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$4,000,000)

EXPENDITURE EXPLANATION

The Department of Revenue and the Office of Emergency Preparedness and Homeland Security will have to establish rules and procedures to pre-clear plans for applicants and limit the annual amount of credit issuance to \$1 million. Given the large number of potentially eligible businesses (nearly 7,000), the administrative workload could be substantial, especially for the Office of Emergency Preparedness.

REVENUE EXPLANATION

A specific estimate of the likely amount of state revenue lost or even the state’s revenue loss exposure from this proposal is not possible to determine, although the number of potentially eligible businesses is large. The eligibility requirements outlined within the bill are for businesses that provide essential services such as gas stations, pharmacies, grocery stores, hospitals, and network or radio broadcasting stations; although other types of businesses may be able to qualify. According to the Louisiana Workforce Commission’s Third Quarter Statewide Employment Data for 2012 (latest information), there are: 157 broadcasting employment units in the state, 414 hospitals, 2,490 gas stations, 2,238 food & beverage stores, and 1,893 truck transportation establishments. The total number of these enumerated businesses in Louisiana that could potentially be eligible for this credit is nearly 7,000, and there could be other businesses that might also be eligible under this bill.

In addition, eligible expenditures could be large, as well, since they include not only relatively infrequent purchases such as generators (up to \$25,000 or more for one to sustain a small business operation, and much larger for facilities such as hospitals) and weatherproofing, but possibly the payroll of employees on the job during the emergency. Maximum credit limits may be achieved for many applicants.

The degree to which any business would remain open during mandatory evacuation periods or gubernatorially declared disasters, and the associated expenses claimed for credit is speculative. However, the number of potentially eligible businesses and the nature of the eligible expenditures suggests state revenue losses could achieve the annual program total of \$1 million.

Credits would first be issued for tax year 2014, which could be claimed in the 2015 spring filing period.

Senate

Dual Referral Rules


House

☒ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

☐ 6.8(F) >= \$500,000 Annual Fiscal Cost {S}

☒ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}



John D. Carpenter
Legislative Fiscal Officer